

Message Text

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45

ACTION AGR-20

INFO OCT-01 ARA-16 ADP-00 EB-11 IGA-02 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 OMB-01 TRSE-00 AID-20 SS-15 H-03 NSC-10

COME-00 RSR-01 SPM-01 /115 W

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R 142300Z JUL 73

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 8452

C O N F I D E N T I A L BOGOTA 5791

E O 11652: NA

TAGS: EAGR

PASS EMS/USDA FOR MEAD

SUBJ: COLOMBIAN FY74 PL480 REQUEST

REF A. BOGOTA 4612 B. BOGOTA 7000

1. GUILLERMO VELEZ, IDEMA MANAGER REITERATED IN CONVERSATION WITH AGATT JULY 12 STRONG GOC CONCERN RE FY74 PL480 PROGRAM. HE INDICATED THAT THE WHEAT SUPPLY SITUATION REMAINS EXTREMELY TIGHT IN COLOMBIA AND THAT CURRENT HIGH WHEAT PRICES ARE SEVERELY STRAINING THE GOC BUDGET. AS WE REPORTED REFTTEL THE GOC HAS BEEN HOLDING THE DOMESTIC WHEAT PRICE AT \$2,800 PESOS/MT (US\$120 /MT) IN EFFORT TO RESTRAIN INFLATION EVEN THOUGH AT PRESENT WORLD PRICES THIS INVOLVES A HEAVY SUBSIDY AND BUDGETARY OUTLAY. THE AVAILABILITY OF PL-480 WHEAT HELPS REDUCE THIS BUDGETARY PRESSURE AND TO DELAY FURTHER DOMESTIC PRICE INCREASES WHICH WOULD LIKELY RESULT IN DECREASED WHEAT CONSUMPTION AND IMPORTS.

2. VELEZ REEMPHASIZED THE NEED FOR THE FULL 150,000 MT OF WHEAT REQUESTED BY THE GOC AND NOTED UNILATERAL U S DECLARATION THAT EXTENSION OF THE FY73 PROGRAM WOULD NOT PREJUDICE CONSIDERATION OF COLOMBIA'S FY74 REQUEST. HE ALSO EXPRESSED HOPE THAT U S WOULD REPLY RAPIDLY TO THE COLOMBIAN REQUEST BECAUSE OF AN URGENT NEED
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TO PLAN MARKET PURCHASES AND ARRANGE SHIPPING.

3. HE ALSO INDICATED THAT CANADA HAD OFFERED CONCESSIONAL WHEAT TO COLOMBIA ON TERMS SIMILAR TO THOSE CONTAINED IN THE RECENTLY CONCLUDED BRAZILIAN AGREEMENT (I.E., A LONG TERM PURCHASE COMMITMENT WITH 5 YEAR FINANCING). HE HAS NOT RESPONDED TO THE CANDIANS PENDING A U S DECISION ON PL480.

4. IN OUR VIEW THE POSSIBILITY OF FURTHER DOMESTIC WHEAT PRICE INCREASES AND THE CANADIAN OFFER OF CONCESSIONAL WHEAT REPRESENT VERY REAL THREATS TO U S WHEAT EXPORT OPPORTUNITIES IN COLOMBIA, PARTICULARLY LOOKING TO THE FUTURE WHEN WORLD WHEAT SUPPLIES ARE MORE ABUNDANT. PL480 CONTINUES TO BE IMPORTANT TOOL IN OUR EFFORTS TO MAINTAIN OUR MARKET SHARE IN COLOMBIA. AS FELEZ HIMSELF NOTED THE CANDIAN OFFER IS GOOD BUT NOT AS GOOD IN CONTEXT OF COLOMBIA'S DEVELOPMENTAL GOALS AS THE LONG TERM FINANCING AVAILABLE UNDER PL480. IN VIEW OF THE ABOVE AND THE IMPORTANT ECONOMIC AND POLIT CONSIDERATIONS ENUMERATED REFTELS EMB AGAIN VERY STRONGLY RECOMMENDS APPROVAL OF THE FULL GOC REQUEST. WHITE

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